

URL: <https://ecorner.stanford.edu/clips/literary-lessons-that-guide-investors/>

Josh Wolfe, co-founder and managing partner of Lux Capital, shares quotes from famous writers and explains how they illustrate important principles that his firm uses to determine where to invest. He encourages aspiring entrepreneurs to be contrarian and look for ways to see what no one else can see.



Transcript

- The reading of good books is like a conversation 00:00:04,860 with the best men of past centuries.. This was a placard outside of our New York City office, our old office, and it went up to the New York Public Library, and I love this, because there are three great men in literature that helped define where you should focus, and each one has a famous quote associated with them.. Fitzgerald's quote was that the test of a first-rate intellect is the ability to hold two opposing ideas in your head at the same time and still retain the ability to function.. Okay, so a Fitzgerald situation for us at Lux is the stuff that everybody's arguing about, the stuff that's on the front page, okay? And I actually say that this is not really valuable to focus on, gold.. Gold is a shiny piece of metal, gold is a great store of value in otherwise fiat currency world, China.. China is an engine of growth or China's a giant bubble waiting to collapse, and there's nothing but lies, damn lies in government statistics.. What you can predict in these Fitzgerald situations is that people are just gonna be battling it out online, a lot of volatility in something that is widely known.. The next domain is Twain, and Twain's famous dictum was, "It ain't what you don't know that gets you into trouble, it's what you know for sure that just ain't so." It's where their certitude, where people are highly confident that something is going to happen and continue to happen, but they're wrong.. The housing crisis was a great example of this, okay? Housing prices could only go up until 2007-2008, boom, massive crash, all of a sudden, people are shocked.. Huge leverage, huge disaster, great financial crisis..

Another example, we all experience this every year.. Now, imagine you're a turkey start of the year.. You're an egg, you're growing, you're getting fatter, life is good, every day is better.. Okay, all of a sudden comes Thanksgiving, die.. (audience laughing) Okay, so any presumption of linearity is a dangerous thing.. Now, where we like to spend our time is in the Schopenhauer domain.. The Schopenhauer domain, his famous quote was that talent is hitting a target that no one else can hit, and genius is hitting a target that nobody else can see.. Again, being a contrarian, thinking differently, being willing to stand out, seeing something that other people don't...